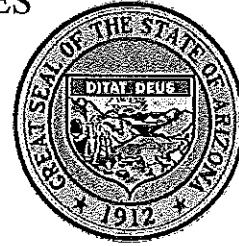


1-24-23

ARIZONA STATE HOUSE OF REPRESENTATIVES  
RESEARCH STAFF



TO: JOINT LEGISLATIVE AUDIT COMMITTEE

DATE: January 24, 2023

Vince Perez  
Committee on Ways &  
Means  
Telephone: (602) 926-5989

SUBJECT: Sunset Review of the Municipal Tax Code Commission

---

Attached is the final report of the sunset review of the Municipal Tax Code Commission which was conducted by the House Ways & Means Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona  
The Honorable Katie Hobbs

President of the Senate  
Senator Warren Petersen

Speaker of the House of Representatives  
Representative Ben Toma

House Members

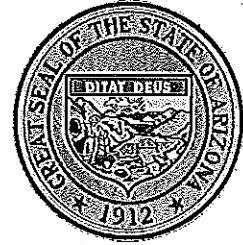
Representative Neal Carter, Chair  
Representative Justin Heap, Vice-Chair  
Representative Seth Blattman  
Representative Andres Cano  
Representative Michael Carbone  
Representative Travis Grantham  
Representative David Livingston  
Representative Jennifer Pawlik  
Representative Mariana Sandoval  
Representative Austin Smith

Municipal Tax Code Commission c/o Arizona Department of Revenue

Arizona State Library, Archives & Public Records  
House Republican Staff  
House Democratic Staff  
House Research Staff

Senate Resource Center  
Senate Republican Staff  
Senate Democratic Staff  
Senate Research Staff  
Office of the Auditor General

House of Representatives  
Ways & Means Committee of Reference  
Sunset Review of the  
Municipal Tax Code Commission



---

## **Final Report**

**January 2023**

### **House Members**

Representative Neal Carter, Chair  
Representative Justin Heap, Vice-Chair  
Representative Seth Blattman  
Representative Andres Cano  
Representative Michael Carbone  
Representative Travis Grantham  
Representative David Livingston  
Representative Jennifer Pawlik  
Representative Mariana Sandoval  
Representative Austin Smith

## **TABLE OF CONTENTS**

- I. Report
  - a. Background
  - b. Summary of Committee Activity
  - c. Committee Recommendation
- II. Appendix
  - a. Minutes and reference materials from January 18, 2023, House Ways & Means Committee of Reference

## **Report 2023**

### **Background**

Pursuant to A.R.S. § 41-2953, the Joint Legislative Audit Committee assigned the sunset review of the Municipal Tax Code Commission (MTCC) to the Senate Finance Committee of Reference and the House Ways & Means Committee of Reference.

The MTCC was established in 1988. Its statutory objective and purpose is to review, hold public hearings on, and approve or deny proposed amendments to the Model City Tax Code (MCTC). According to A.R.S. § 42-6052, any Arizona city, town, taxpayer, or the Department of Revenue may submit a proposed MCTC amendment to the MTCC for review and consideration for approval. (Report No. 22-108).

The MTCC is statutorily set to terminate on July 1, 2023, unless legislation is enacted for its continuation (A.R.S. § 41-3023.09).

### **Summary of Committee Activity**

The House Ways & Means Committee of Reference met on January 18, 2023, to review the performance audit and sunset review conducted by the Auditor General, evaluate the MTCC's response to the sunset factors and receive public testimony.

### **Committee Recommendation**

The House Ways & Means Committee of Reference recommended that the MTCC be continued for four years until July 1, 2027.

## Appendix A:

January 18, 2023 House Ways & Means Committee of Reference  
Minutes and Reference Materials

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-sixth Legislature - First Regular Session

HOUSE WAYS & MEANS COMMITTEE OF REFERENCE

Report of Interim Meeting  
Wednesday, January 18, 2023  
House Hearing Room 1 -- UPON RECESS OR ADJOURNMENT OF REGULAR W&M  
COMM

Convened 10:51 A.M.

Recessed

Reconvened

Adjourned 11:12 A.M.

MINUTES RECEIVED  
CHIEF CLERK'S OFFICE

1-19-23

Members Present

Representative Blattman  
Representative Cano  
Representative Carbone  
Representative Grantham  
Representative Livingston  
Representative Pawlik  
Representative Sandoval  
Representative Smith  
Representative Heap, Vice-Chairman  
Representative Carter, Chairman

Members Absent

Agenda

Original Agenda – Attachment 1

Request to Speak

Report – Attachment 2

Committee Attendance

Report – Attachment 3

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Lindsey Perry	Arizona Auditor General	4
Jeff Gove	Arizona Auditor General's Office	

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments</u>
	Continue Municipal Tax Code Commission for 4 years	9-1-0-0	5
	Continue State Board of Tax Appeals for 8 years	10-0-0-0	6

*Sue Adams*

---

Sue Adams, Committee Secretary  
January 19, 2023

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

*Convened 10:51*

## ARIZONA HOUSE OF REPRESENTATIVES

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

*Adjourned 11:1*

#### HOUSE WAYS & MEANS COMMITTEE OF REFERENCE

Date: Wednesday, January 18, 2023

Time: Upon Recess or Adjournment of Regular W&M Committee

Place: HHR 1

Members of the public may access a livestream of the meeting here:  
<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2023011082>

#### AGENDA

1. Call to Order
2. Opening Remarks
3. Sunset Review of the Municipal Tax Code Commission
  - Presentation by the AZ Office of the Auditor General
  - Response by the Municipal Tax Code Commission
  - Public Testimony
  - Discussion and Recommendation
4. Sunset Review of the State Board of Tax Appeals
  - Presentation and response by the State Board of Tax Appeals
  - Public Testimony
  - Discussion and Recommendation
5. Adjournment

#### Members:

Representative Neal Carter, Chair  
Representative Justin Heap, Vice Chair  
Representative Seth Blattman  
Representative Andres Cano  
Representative Michael Carbone

Representative Travis Grantham  
Representative David Livingston  
Representative Jennifer Pawlik  
Representative Marlana Sandoval  
Representative Austin Smith

JY  
01/12/2023

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.



## Information Registered on the Request to Speak System

*House Ways & Means Committee of Reference (1/18/2023)*

### 3, Sunset Review of the Municipal Tax Code

#### Support:

Rene Guillen, LEAGUE OF ARIZONA CITIES & TOWNS; Tom Savage, LEAGUE OF ARIZONA CITIES & TOWNS

#### Oppose:

Darren Coldwell, representing self; Bill Diak, representing self

#### All Comments:

Tom Savage, LEAGUE OF ARIZONA CITIES & TOWNS: The League supports extension of the Municipal Tax Code Commission. We have staff available to answer questions.; Darren Coldwell, Self: As City Manager of a small community, I personally know the importance of this tax code. The food sales tax contributes \$1.3 million dollars to our General Fund. Without this we can expect extensive cuts to all services, including personnel.; Bill Diak, Self: If this Bill passes it will cost the City of Page 9.8% of its annual budget. We will have no choice but to cut services. PLEASE NOT NOT PASS!

### 4, Sunset Review of the State Board of Tax Appeals

ARIZONA STATE LEGISLATURE  
Fifty-sixth Legislature - First Regular Session

## COMMITTEE ATTENDANCE RECORD

COMMITTEE ON WAYS & MEANS *Committee of Reference*

CHAIRMAN: Neal Carter VICE-CHAIRMAN: Justin Heap

DATE	01/18 <sup>18</sup> /23	/23	/23	/23	/23
CONVENED	10:55 m	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	11:12				
MEMBERS					
Blattman	✓				
Cano	✓				
Carbone	✓				
Grantham	✓				
Livingston	✓				
Pawlik	✓				
Sandoval	✓				
Smith	✓				
Heap, Vice-Chairman	✓				
Carter, Chairman	✓				

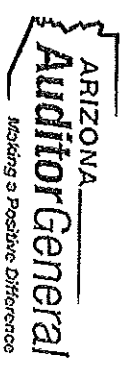
✓ Present      --- Absent      exc Excused

# Arizona Municipal Tax Code Commission

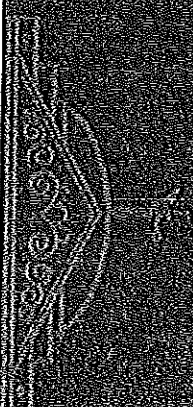
---

Presenters: Lindsey Perry and Jeff Gove

Date: January 18, 2023



# Who we are



- Legislative agency
- Independent, nonpartisan audit function to provide unbiased, objective information
- Overseen by the Joint Legislative Audit Committee (JLAC)
  - Approves audit schedule
  - Appoints Auditor General

# Sunset review process

- Established by Legislature
- Systematic agency and program review
- Generally every 8 years prior to termination date

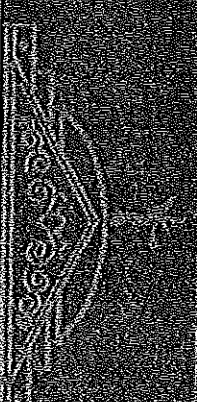
# Sunset reviews assigned by JLAC

- Reviews conducted by
  - Auditor General
  - Committee of Reference
- 2-year audit cycle approved by JLAC
  - Audits generally due by October 1

# Sunset reviews we conduct

- Sunset factor analysis, including:
  - Agency objective and purpose
  - Extent the agency serves the entire State
  - Harm to public if terminated

# Committee of Reference hearing



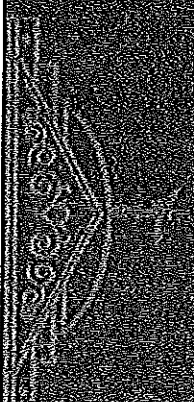
- Committee of Reference must hold hearings to
  - Determine if statutory requirements are necessary and being met
  - Recommend continuation, including time frame, or termination
- Prepare and introduce legislation related to recommendations for termination/continuation



# Following up

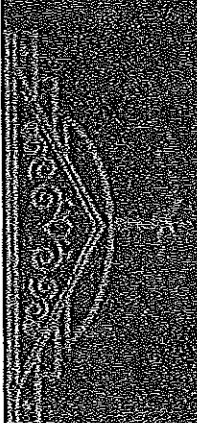
- Follow-up requirements
- Time frame: 6 and 18 months or beyond

# Arizona Municipal Tax Code Commission



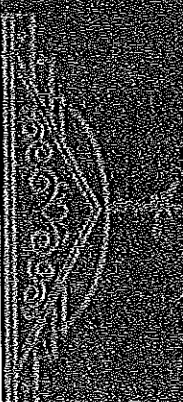
## Sunset review

# Municipal Tax Code Commission



- Established in 1988 to review, hold hearings on, and approve/deny proposed changes to Model City Tax Code
- Any Arizona city, town, taxpayer, or Department of Revenue may submit proposed Model Code changes to Commission
- Department of Revenue required to provide administrative and staff support

# Model Code



- Model Code is uniform tax act that Arizona cities and towns are statutorily required to adopt
- Commission can provide cities/towns options to tax or exempt certain items by approving:
  - Model Code amendment that applies only to 1 city or town
  - Model Code amendment to be adopted only by cities and towns that choose to do so

# Commission membership

- Commission has 9 voting members who are city/town mayors or governing body members
  - 5 members appointed by Governor
  - 2 members appointed by Senate President
  - 2 members appointed by Speaker of House
- Department of Revenue director nonvoting member
- 6 vacant positions as of June 2022

## **Problem identified**

Commission has not met statutory objective and purpose to hold public hearings on proposed Model Code changes because it lacks a quorum of members

# Why this matters

Model Code at risk of becoming obsolete and no longer meeting needs of cities, towns, taxpayers, and businesses

# Key recommendations

- Governor, Senate President, and Speaker of the House should consider appointing Commission members, as set forth in statute
- Once Commission's members have been appointed and it has a quorum of members, Commission should meet to review any proposed Model Code changes



## Other problem identified

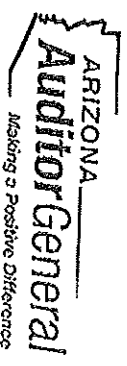
<sup>1</sup> Commission member never submitted annual conflict-of-interest disclosure form required by Department of Revenue policy

# Arizona Municipal Tax Code Commission

---

Presenters: Lindsey Perry and Jeff Gove

Date: January 18, 2023



ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-sixth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Ways & Means Committee of Reference BILL NO. \_\_\_\_\_

Sunset Review of the Municipal Tax Code Commission  
DATE 1-18-2023 MOTION: 14 years ~~PASS~~

	PASS	AYE	NAY	PRESENT	ABSENT
Blattman		✓			
Cano		✓			
Carbone		✓			
Grantham		✓			
Livingston			✓		
Pawlik		✓			
Sandoval		✓			
Smith		✓			
Heap, Vice-Chairman		✓			
Carter, Chairman		✓			
		9	1	0	0

APPROVED:

Neal Carter  
NEAL CARTER, Chairman  
JUSTIN HEAP, Vice-Chairman

See Adams  
COMMITTEE SECRETARY

ATTACHMENT 5

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-sixth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Ways & Means Committee of Reference BILL NO. \_\_\_\_\_

*Sunset Review of the State Board of Tax Appeals*  
DATE 1-18-2023 MOTION: passed  
*8 years*

	PASS	AYE	NAY	PRESENT	ABSENT
Blattman		✓			
Cano		✓			
Carbone		✓			
Grantham		✓			
Livingston		✓			
Pawlik		✓			
Sandoval		✓			
Smith		✓			
Heap, Vice-Chairman		✓			
Carter, Chairman		✓			
		10	0	0	0

APPROVED:

NEAL CARTER, Chairman  
JUSTIN HEAP, Vice-Chairman

Seee Adams  
COMMITTEE SECRETARY

ATTACHMENT 6